

Fiscal Year 2011 Executive Budget Message

April 15, 2010

Yonkers City Council
City Hall, 4th Floor
40 South Broadway
Yonkers, NY 10701

Honorable Members of the City Council:

I hereby submit to you the Fiscal Year 2011 Executive Budget for the City of Yonkers, prepared in accordance with the Charter of the City of Yonkers and the New York State Special Local Finance and Budget Act for the City of Yonkers.

As you know, these past two years have been an especially trying time for our nation, our state and our city. The economic crisis has continued to place great strain on local businesses and taxpayers, leaving our city with striking shortfalls in every major revenue category. Together the Council and I put into place a budget last year that made our government smaller through reduced position counts that enabled Yonkers to weather Fiscal Year 2010.

For Fiscal Year 2011, however, the financial picture has grown worse for Yonkers, primarily due to the loss of major funding categories from New York State and from local revenue declines. The ongoing recession's impact on the New York State Budget has caused the governor to cut more than \$40 million in state funding for the city and the school district. In March, I briefed the Council on the severity of this situation and explained the magnitude of service and workforce reductions those state funding cuts would mean for Yonkers.

Through a cooperative lobbying effort with the Council, our unions and the school district, I had hoped to be able to present a budget to you that includes at least a restoration of the state funding cuts contained in the governor's proposed budget. Yet, at the time this message is delivered to you, the New York State Legislature has failed to meet its Constitutional responsibility to adopt a budget by April 1, holding local governments all across New York in limbo including Yonkers. Therefore, none of us can be certain as to what level of state funding to anticipate during the course of the next

fiscal year. However, I have a Charter mandated responsibility to submit a budget for your consideration by April 15. Accordingly, I am submitting this budget to you based on the best information I have available to date including a personal commitment from our state delegation to restore at least \$22.2 million in municipal funding that was cut in the governor's proposed budget. If that commitment is not fulfilled, this proposed budget will become unimaginably worse.

Let me be clear; this is not the budget I would have preferred to propose in that it does not continue the improvements to city services and the implementation of new quality of life initiatives that we have made priorities in years past. Instead, it is a budget premised upon the austerity that the current economic climate demands. Further, it pains me a great deal to reduce services to the people of Yonkers through workforce reductions including many layoffs. These are real services our residents have come to depend upon, provided by real people who depend upon those jobs for their own livelihood.

Nonetheless, we have a responsibility to the City of Yonkers and its taxpayers to ensure that this city remains solvent and operational. Simply put, we cannot spend more on services than what we can afford to pay for. Accordingly, my Executive Budget makes the tough decisions necessary for our survival until better times come.

Finally, given the tumultuous climate in Albany with the state budget, it may become necessary to adjust this proposed spending plan as new information becomes available. As always, I will share with you any information we have about the state budget as well as our local revenues as it becomes available. I thank you in advance for your understanding and cooperation, realizing that the uncertainty of this year's budget process is not of our own making.

EXECUTIVE BUDGET SUMMARY

The Executive Budget for Fiscal Year 2011 is \$889,265,224 representing an aggregate decrease of \$6,771,551 or 1% below the Fiscal Year 2010 Adopted Budget.

Included in the Executive Budget is a municipal operating budget of 409,229,891, an aggregate decrease of \$2,660,543 or 1% below Fiscal Year 2010. The municipal budget includes a total of 1,725 positions, 233 fewer positions Fiscal Year 2010 and 249 fewer than when I took office in 2004. Of the position reductions, 56 represent vacancies and 177 are layoffs. This is the smallest proposed workforce of any of any budget since 1997.

The Executive Budget includes a \$480,035,233 appropriation for the Board of Education. The Board of Education comprises approximately 54% of the total city budget. The city's local contribution to our education system for Fiscal Year 2011 is \$216.4 million, \$1.4 million less than Fiscal Year 2010. However, our local contribution to education is still \$80.4 million greater than Fiscal Year 2004 representing a 60% increase over the past seven years.

I am proposing an aggregate property tax levy of \$304,619,514, a 2.5% increase in the total levy over Fiscal Year 2010. This proposed levy reflects a property tax rate of \$624.78 per thousand of assessed value, a 4% increase over last year. An average property taxpayer with a home assessed at \$12,280 (Market Value - \$432,395) will see property taxes increase from \$7,377 to \$7,672, an average increase of \$295.

Operating Budget Highlights

- \$889.3 million total budget (1% total decrease below FY2010)
- \$409.2 million municipal budget (1% decrease below FY2010)
- \$480 million public school budget (1% decrease below FY2010)
- \$109.5 million projected budget gap closed
- 177 layoffs and 56 vacant positions for total workforce reduction of 233 positions
- Smallest city workforce since 1997
- Discretionary spending held flat for third consecutive year (after substantial cuts)
- Proposed 4% increase in property taxes (avg. increase of \$295 per homeowner)

PROJECTED BUDGET DEFICIT

In the briefing I held for the City Council in March, I explained that the city was facing a projected deficit of \$109.5 million the coming fiscal year. This projection was primarily based on the following factors the substantial loss of \$42.5 million in state funding (\$22.2 cut in city funding; \$20.3 cut school funding), local revenue declines, and mandated expense increases.

TABLE 1: PROJECTED DEFICIT, MUNICIPAL

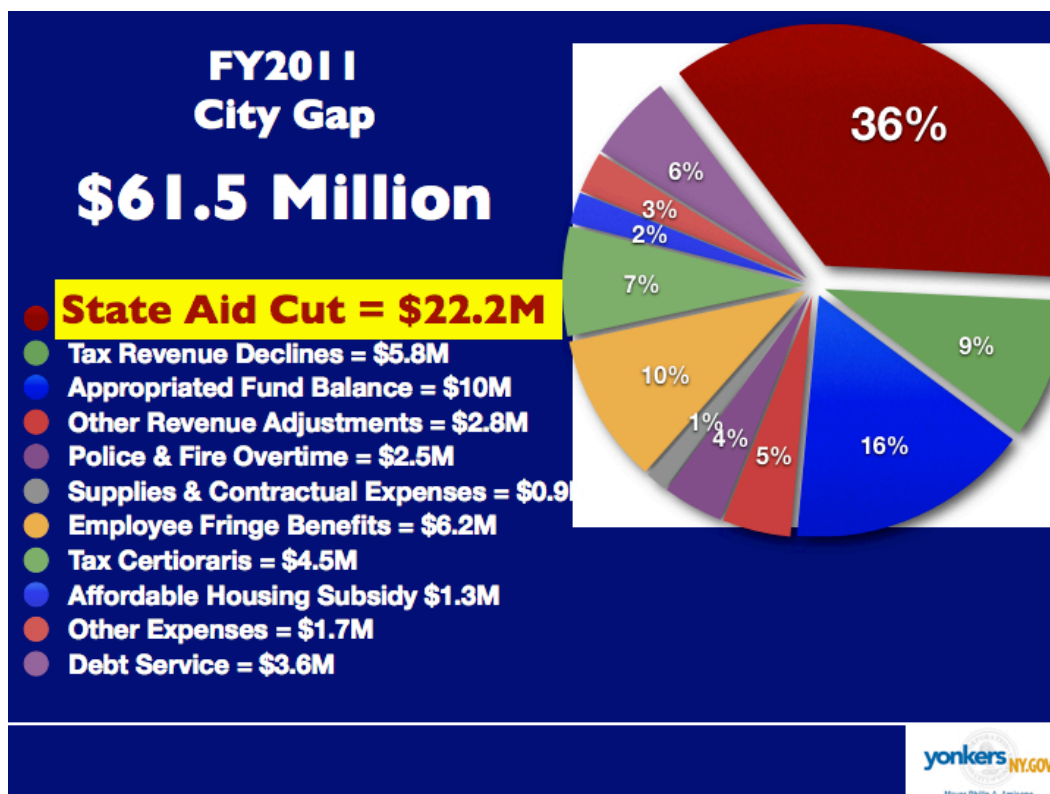
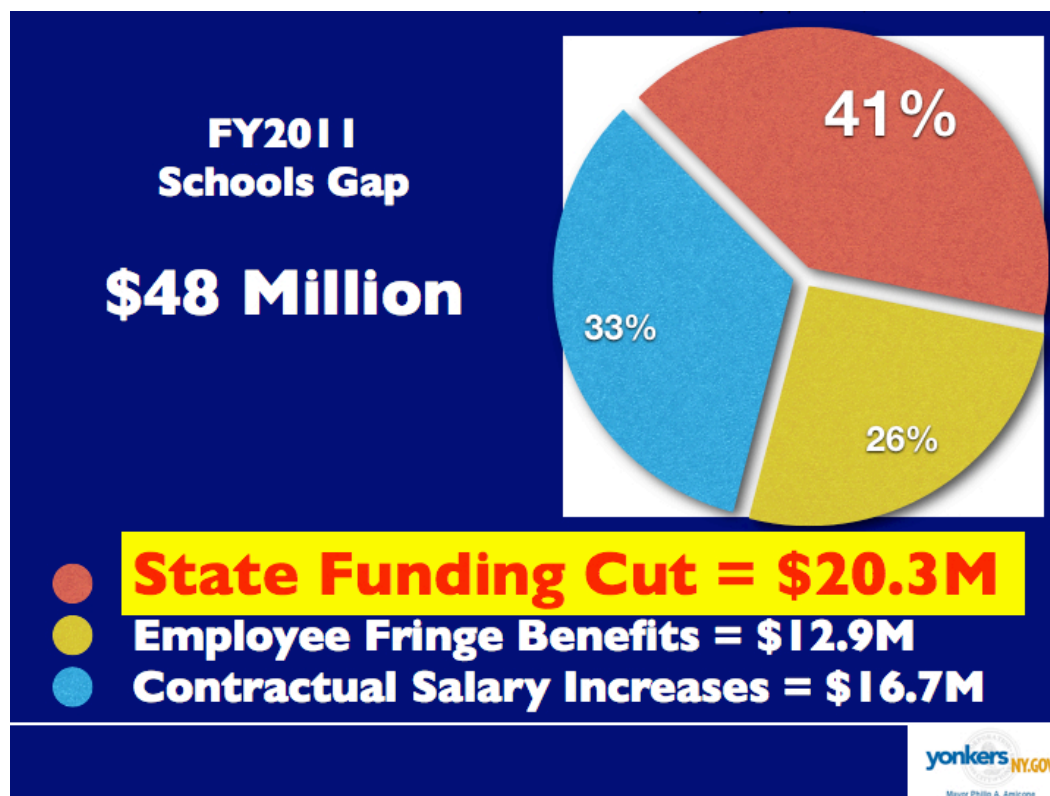


TABLE 2: PROJECTED DEFICIT, SCHOOLS



CLOSING THE BUDGET DEFICIT

One-Shot Revenues from New York State:

As previously mentioned, although the state budget has not yet been adopted by the Legislature, I have secured assurances from our state legislative delegation that the final budget will include the restoration of \$22.2 million in state municipal funding that was cut in the governor's proposed budget. Therefore I am including this money in my Executive Budget. However, there have been no such assurances made with regard to restoring the \$20.3 million cut to education funding in the governor's proposed budget. Accordingly, I am not including that money in my Executive Budget.

Workforce Reductions:

Approximately eighty percent of the city's budget pays for the salaries, benefits and pensions of the people who provide basic municipal services: police officers, firefighters, public works, and other essential personnel. To realize any substantial savings in closing a municipal budget gap of \$61.5 million, we must reduce the city workforce. There is no alternative other than to raise property taxes by an unconscionable amount --- in excess of thirty-five percent. Therefore I am proposing a total workforce reduction of 233 positions, of which 56 are vacant positions and 177 are layoffs. These workforce reductions will result in \$21.7 million in savings through the course of Fiscal Year 2011.

TABLE 3: WORKFORCE REDUCTIONS BY DEPARTMENT

DEPARTMENT	LAYOFF	VACANT	TOTAL	% of Total Dept. Budget Cut
Mayor	1	1	2	17.5%
Legislative	*	*	*	7.3%
Police	51	40	91	3.1%
Fire	44	-	44	6.8%
DPW	52	-	52	3.5%
Support Depts.	25	6	31	8.9%
Human Rights	4	-	4	100%
Parks	6	2	8	10.2%
Library	*	*	*	7.5%
TOTAL	177	56	233	-

TABLE 4: WORKFORCE REDUCTIONS BY UNION

UNION	LAYOFF / DEMOTION	VACANT	TOTAL	% of Total Positions Cut
Non-Union	13	2	15	10.3%
SEUI	11	5	16	8.1%
AFSCME	4	-	4	10.8%
CLSA	23 (Demotions)	-		18.3%
PBA	51	40	91	13.2%
UFOA	30 (Demotions)	-		23.3%
Local 628	44	-	44	13.0%
Teamsters	54	9	63	13.0%
TOTAL	177	56	233	11.9%

Using Fund Balance Reserves:

The City of Yonkers has an undesignated operating fund balance of \$9.6 million that can be applied to next year's budget. I am proposing to use \$2 million of that fund balance in the Fiscal Year 2011 Budget. This will leave the city's undesignated fund balance at \$7.6 million, which may be needed to close a potential gap in the FY2010 Budget.

Board of Education Deficit Reduction Measures:

The Board of Education will have to make substantial reductions to its budget as well. Although the Superintendent of schools has not finalized his final expense reductions, they will certainly include layoffs (teachers, administrators and support staff) in similar numbers to the municipal budget that I have proposed. In addition, he is considering eliminating the pre-kindergarten program, eliminating all athletics programs, increasing the busing radius, and other cuts. No doubt these cuts will present hardships to students and their families and they will affect academic performance.

Other Revenues & Expense Reductions:

The city has been operating on a bare bones budget for the last three years. We have reduced discretionary spending and staff to the point where there are no longer areas to cut without eliminating workforce or essential services. However, there are various revenue and expense adjustments totaling approximately \$2.8 million that contributed to closing the projected deficit.

Property Tax Increase:

To close the remaining deficit and balance the budget, I am proposing a property tax increase of 4%, an average increase of \$295 per homeowner. It should be noted that tax certiorari proceedings over the past year have resulted in a net loss of \$4 million to our property tax levy. In effect, this reduction means that the city would have to raise property taxes 1.5% just to get "back to even." Further, I realize that the proposed property tax increase comes at a time of economic recession with families and business struggling across Yonkers. Accordingly, I have endeavored to propose as minimal a property tax increase as possible.

LOCAL REVENUE PROJECTIONS

As previously stated, local revenues included in the Fiscal Year 2010 Adopted Budget are so far coming in below the budgeted amount. As of the time this message was delivered to the City Council, mortgage recording and real estate transfer tax collections are projected to end the fiscal year below their budgeted amounts. In addition, sales tax and income tax collections are both at multi-year lows. Considering the continuing declines in economically sensitive revenues during the course of Fiscal Year 2010, my Executive Budget makes extremely conservative estimates for the real estate transfer tax, the mortgage recording tax, the income tax and the sales tax. Each is budgeted at a level below the current fiscal year. Accordingly, I must caution the City Council against any significant adjustment to these figures in order to avoid creating any budget gaps in the middle of the coming fiscal year.

MUNICIPAL OPERATION AND IMPACT ON SERVICES

The proposed city Municipal Operating Budget is \$409.2 million, a 1% decrease below the Fiscal Year 2010 Budget. The only expense increases were mandated, and discretionary spending was held flat after being substantially reduced over the past three years.

Mandated Expense Increases:

The major increases to the city operating budget are attributed to the following mandated expenses: increase light and power costs (\$6 million), increase in water expenses (\$12.3 million), and increase in debt service (\$600,000).

Service Reductions:

The workforce reductions included in my Executive Budget will have a profound impact on services and quality of life in Yonkers. We simply cannot provide the same level and quality of services with substantially fewer people; it is impossible. I want to be upfront with the Council and with the people of Yonkers about that sobering and disappointing fact. Below is a summary of service reductions anticipated in Fiscal Year 2011:

- **Scaled back garbage pick-up to ONE DAY A WEEK CITYWIDE**
- **Two fire companies will be closed (to be determined)**
- **Police reductions in every precinct**
- **All non-revenue producing parks and recreation programs will be cancelled**
- **All funding for community based groups (not tied to grants) will be eliminated**
- **Library system funding and program cuts**

BOARD OF EDUCATION

The Executive Budget appropriates a \$480 million total funding allocation for the Board of Education in Fiscal Year 2011. This represents a total decrease in the city's contribution of \$1.4 million, the first reduction in contribution since I took office. State law prohibits the city from reducing our education contribution except when our local revenues have declined, and they have. Therefore we are reducing the local contribution by 1%. However, our local contribution is still \$80.4 million greater than Fiscal Year 2004 representing a 60% increase over the past seven years.

By contrast, New York State funds our school system by far the least amount of any large city in the state, per student. To make matters worse, the governor is proposing to cut an additional \$20.3 million from the school district in its upcoming budget. These numbers reflect our ongoing objection to the state's education funding formula. Of all the large urban school districts, Yonkers taxpayers pay the most per child to their public school system yet receive the least per child from New York State. This remains the biggest budgetary challenge for the City of Yonkers, which we must continuously strive to overcome on an annual basis. The persistence of this inequity in the state's funding formula calls for further action to urge reform in Albany.

CONCLUSION

The economic realities facing the city have made this the most difficult and painful budget I have proposed in my tenure as mayor. The persistent and ever-worsening underfunding of our public school system by the State of New York have made weathering this economic crisis with minimal impact to our residents and taxpayers impossible. Instead the budget I am forced to propose will raise property taxes to make up the difference in the state's education funding shortfall and, worse, cut services that we have endeavored so hard to improve. But we have made the tough decisions necessary to keep Yonkers fiscally solvent and avoid the possibility of state-run financial control boards, which have plagued our city's recent past.

It is my sincere hope that the measures provided for in this proposed budget are not final. I am calling on the City Council, all of our unions, the school district and the public to join me in imploring our State Legislature to help us avoid the draconian cuts in this budget by providing the additional state funding that the people of Yonkers are entitled to.

I am also asking for cooperation and shared sacrifice in getting through the next fiscal year. There are certain measures that could be taken by our unions that would substantially lessen the impact of this budget on the people of Yonkers and their fellow workers who stand to lose their jobs. I remain willing to engage in any productive discourse to this end.

There are still more than six weeks remaining until the City Council must adopt a final budget. And the fact that the state budget is not yet final provides some measure of hope that things can still improve. We must do everything in our power to ensure that the people of Yonkers are treated more fairly by New York State. You have my commitment to lead that important effort.

Sincerely,



Philip A. Amicone
Mayor